

PURE Income and Growth Fund

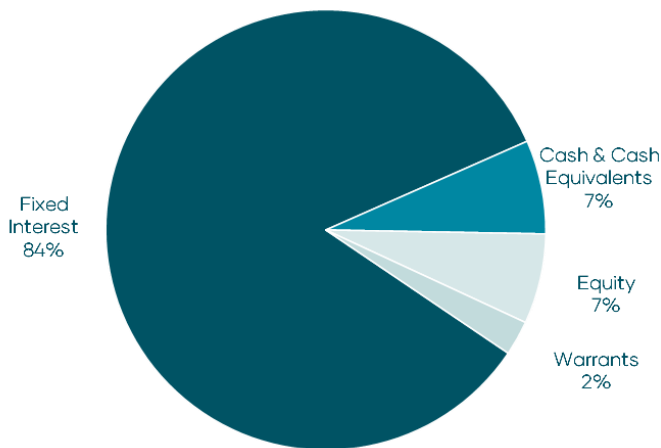


Foundation Class Portfolio Returns (After Fees)

	1 month %	3 Months %	6 Months %	1 Year %	3 Years % p.a.	Since inception* % p.a.
PURE Income and Growth Fund	0.0%	+1.2%	+2.4%	-2.6%	-0.9%	+10.8%
Standard Deviation (Annualised %)				5.8%	6.1%	11.7%
Sortino Ratio						1.2
Sharpe Ratio						0.5

* Fund inception 21 December 2018

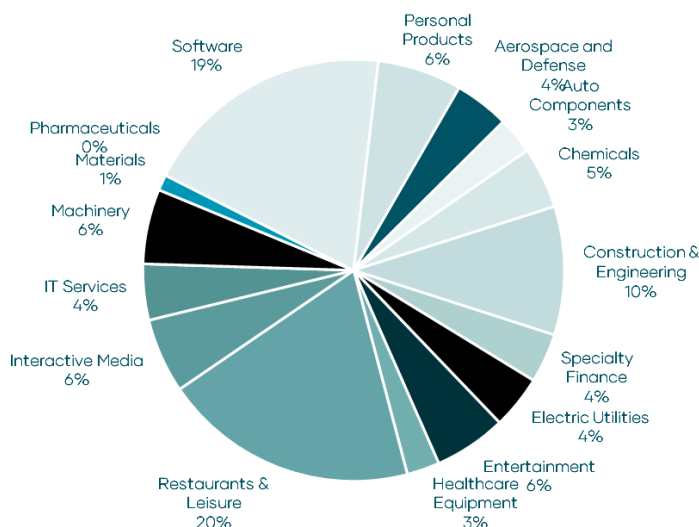
Portfolio Asset Allocation



Fund Overview

Fund Size	\$120.9m
Foundation Class Unit Price	\$1.1482
Number of Investments	19
Average Loan Size	\$5.0m
Weighted Average Interest Rate	10.2%
Arrangement Fees Paid to Investors	\$4.0m
Trailing Fund Yield (12m)	6.4%

Fixed Interest Sector Allocation



PURE online application form



Monthly Commentary

Escalating tensions in the Middle East and higher bond yields weighed on equity markets in October. Following the speech from the new RBA Governor, Michelle Bullock, the Australian 10-year bond rate finished at its highest level since 2011, at 4.9%.

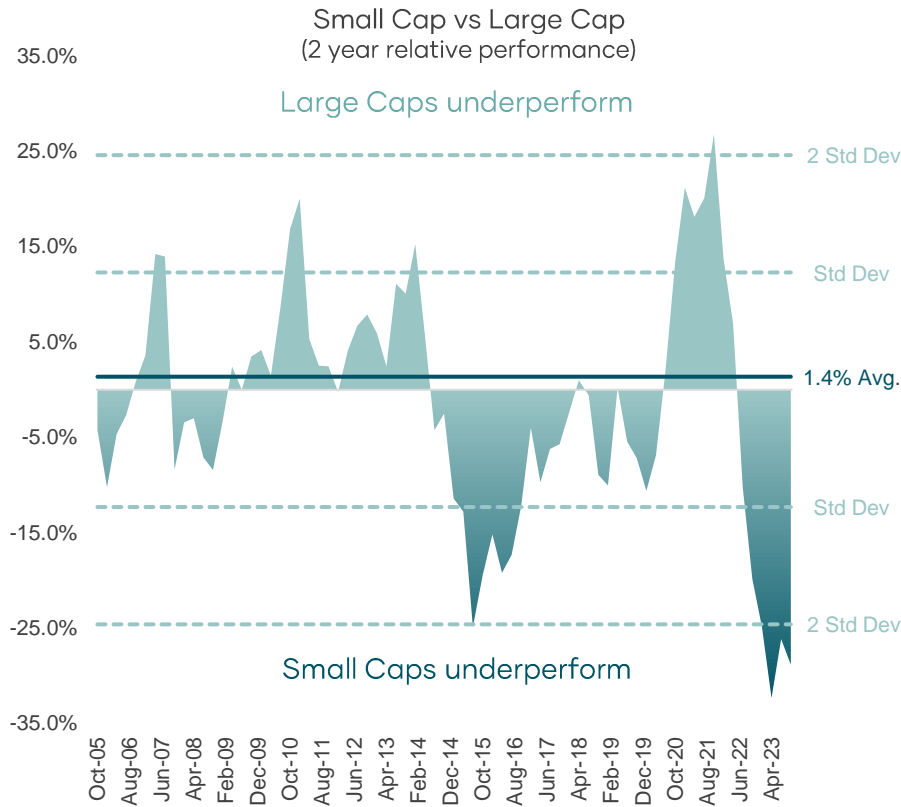
Consequently, the ASX Small Industrials Accumulation Index was down 7.0% during the month, and -3.8% relative to the ASX 200 Accumulation Index.

Even more startling was the three-month performance of these indices where small industrials underperformed by 5.0%, delivering a total return of -13.0%. With the backdrop of these events the Fund was flat in October, and +1.2% over the last three months.

This month we have again reviewed the extraordinary dislocation between small-caps and large-caps. We have tried to evaluate small-cap investor sentiment and what this could mean applying the concept of reversion-to-the-mean.

Mean Reversion

Small-cap markets entered a bear market in October 2021, with a downturn in relative to large-caps that is without precedent. The 24-month relative return is currently at an extreme level, two standard deviations from the average; a situation that has never occurred as far back as available comparative data goes.



After two long years, small-cap investor sentiment is wretched and we sometimes wonder which of the Five Stages of Grief, we have reached.

1. Denial:

Denial involves the initial shock and refusal to accept the reality of a loss. In a bear market, investors may deny the severity of the downturn. John Kenneth Galbraith's words: "The financial memory is very short," which highlights the tendency to forget past downturns and underestimate the potential impact of market declines.

2. Anger:

The anger stage of a bear market typically involves blaming external factors. As economist John Maynard Keynes observed, "Markets can remain irrational longer than you can remain solvent." Which captures the essence of anger during a bear market, where investors may find it challenging to reconcile the market's behaviour with their entrenched expectations.

3. Bargaining:

This is where investors might engage in making concessions to the downtrend, by trimming or switching positions for perceived safety, to placate their growing sense that their previous thesis of holding firm was wrong. Peter Lynch's wisdom, "Far more money has been lost by investors preparing for corrections than has been lost in corrections themselves". This underscores the tendency of not recognising early enough that ultimately in a bear market, almost all investments will succumb to the force of negative sentiment.

4. Depression:

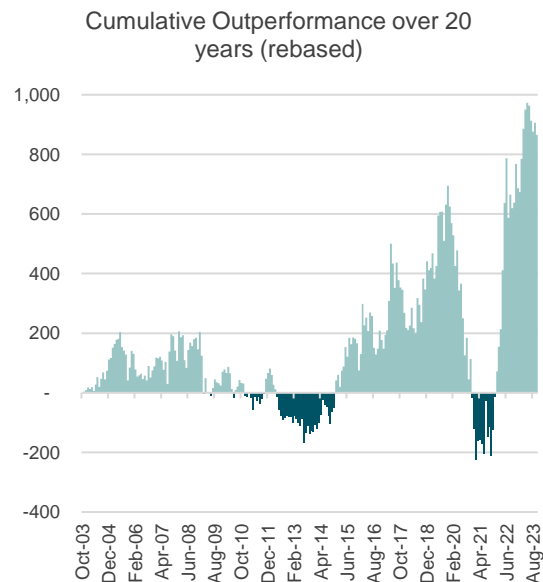
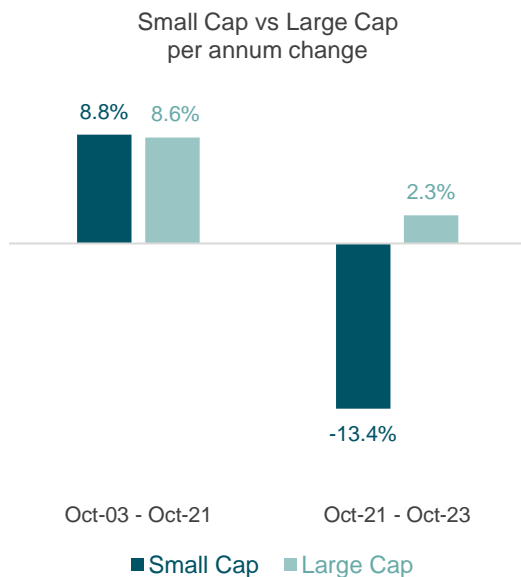
The depression stage can lead to a collective sense of lethargy amongst investors. What is the point in doing anything, if everything is going down anyway, and things will never return to what they were. Paul Tudor Jones points out this is the wrongheaded thinking, "The secret to being successful from a trading perspective is to have an indefatigable and an undying and unquenchable thirst for information and knowledge," which speaks to the idea that even in these times, opportunities will present themselves, but few lack the conviction of trying to find them.

5. Acceptance:

In a bear market's final stage, investors may come to accept the market conditions and give up. They reconcile themselves to putting all their investments in the *bottom draw* and retreat from the market entirely. As investment guru Jim Rogers, noted, "The stock market is never obvious. It is designed to fool most of the people, most of the time." This reflects the fact that the same conviction that led the investor to hold at the start, is now being replicated, but 180 degrees in reverse. They suffer the same misguided belief that they know the likely path of the market, and consequently it is not worth participating.

We write this somewhat tongue in cheek, but there is a serious side to the line of inquiry. Most bear markets are short, less than 12 months. The current small-cap bear market is now +24 months old. What will turn it around is not fundamentals, but sentiment. In our view, almost all small-cap investors are at stage 4 or 5 in their grief.

Over the 18 years, from 2003 until 2021, small-caps marginally outperformed large-caps. In the last two years this has changed materially. Reversion to the mean, is one of the most powerful psychologies of the market. When the sentiment turns, investors can expect significant outperformance from small-caps.



Thank you.

Nick, Mike, Tim, Dan, Jonathan and Jean-Luc



Monthly Returns – After Fees

The Income and Growth Fund – Foundation Class													
Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin YTD
FY19						2.4%	-1.8%	1.2%	0.3%	-1.0%	2.5%	1.7%	5.4%
FY20	2.6%	-1.4%	2.1%	1.4%	-0.8%	3.8%	2.8%	-2.2%	-3.8%	3.8%	5.7%	0.7%	15.0%
FY21	15.9%	8.8%	-1.0%	12.2%	0.7%	2.6%	-1.0%	-1.0%	-3.5%	2.1%	0.0%	0.8%	40.9%
FY22	3.4%	-3.2%	2.3%	1.2%	-2.2%	1.0%	-0.1%	-2.3%	1.6%	0.5%	-0.5%	-1.0%	0.5%
FY23	1.3%	-1.7%	-1.6%	0.9%	-5.7%	0.1%	0.2%	0.3%	0.2%	0.1%	0.4%	0.3%	-5.3%
FY24	0.5%	0.5%	0.7%	0.0%									1.7%

The Income and Growth Fund – Platform Class (APIR: PUA7226AU)													
Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin YTD
FY21	16.0%	8.9%	-0.9%	12.4%	0.7%	2.7%	-0.9%	-1.0%	-3.5%	2.1%	0.0%	0.8%	41.8%
FY22	3.4%	-3.2%	2.3%	1.2%	-2.2%	1.0%	-0.1%	-2.3%	1.6%	0.5%	-0.5%	-1.0%	0.5%
FY23	1.3%	-1.7%	-1.6%	0.9%	-5.7%	0.1%	0.3%	0.3%	0.2%	0.1%	0.5%	0.3%	-5.3%
FY24	0.5%	0.5%	0.7%	0.0%									1.7%

Unit Price Data Download

Please click on the link below to download the updated unit price data for each unit class.

[The Income and Growth Fund – unit price data to 31 October 2023](#)

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